

Subject: ACCOUNTS RECEIVABLE

REFERENCES	SECTIONS
Human Resources Memorandum http://hr.dgs.ca.gov/PublicationsAndResources/default.htm	03-006
Law & Regulation http://www.dpa.ca.gov/statesys/dpa/laws.htm www.irs.gov	GC: 1153(c), 12475m, 16582, 19838 IRS: Publication 15
Memorandum of Understanding (MOU) http://www.dpa.ca.gov/collbarg/contract/bumenu.shtm	Refer to the various MOUs
Payroll Procedures Manual (PPM) http://www.sco.ca.gov/ppsd/ppm/index.shtml	I-001
Personnel Transactions Operations Procedures (PTOP)	A1.0
Responsible Control Agency and Program	SCO
SPB/DPA Policy Memos http://www.dpa.ca.gov/statesys/dpa/src/hfpml.shtm	PML: 2004-038
State Administrative Manual (SAM) http://sam.dgs.ca.gov/default.htm	8776-76.7, 10407-13

Accounts Receivable

Purpose	The purpose of this section is to provide information regarding the accounts receivable (A/R) process and what to expect in this situation. Effective January 27, 2003, the Personnel Transactions Unit (PTU) implemented an A/R process outlined in HR Memo 03-006.
Definition	<ul style="list-style-type: none">• An accounts receivable is defined as a claim for money owed to the State.
Policy	In accordance with State law and control agency directives, it is the policy of the DGS employees shall not receive more money than they have earned for each pay period. If an overpayment occurs, an accounts receivable (A/R) shall be established for reimbursement to the State.
Reasons for A/R	<p>Overpayments occur for various reasons, such as:</p> <ul style="list-style-type: none">• Dock• Late dock• Leave over-usage• Departmental errors with salary, effective dates, etc. <p>The State Controller's Office (SCO) establishes an A/R for deduction arrearages such as:</p> <ul style="list-style-type: none">• Retirement• Social Security• Medicare• Savings bonds• Other <p>NOTE: Pursuant to GC Section 16582, the SCO may discharge an A/R of \$25 or less, if it is cost effective to do so.</p>

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Accounts Receivable, Continued

Common A/R terms

The following are commonly used A/R terms and describe the process when an A/R is established.

Term	Process
Dock	Time (days and hours) on dock that is keyed into Project Accounting and Leave (PAL) (current month) prior to the cutoff date that will interface with SCO. The reduction in pay will be reflected on the warrant received at the end of the pay period.
Late dock	Dock that is keyed into PAL after the SCO cutoff date that is not reflected on the warrant. The warrant will be returned to SCO and a salary advance will be given on payday, unless Bargaining Unit (BU) contracts/Memorandum of Understanding (MOU) specify otherwise. BU contracts/MOUs may limit the number of late dock salary advances an employee may receive in a calendar year.
Leave errors	In the event of an over-usage of available leave credits, the Personnel Specialist (PS) will make changes to PAL, deduct time from the SCO Leave Accounting System (LAS) and notify the employee, attendance clerk, and supervisor. If an A/R is necessary, the PS will send additional information regarding the overpayment to the employee.
Salary overpayments	A salary overpayment may occur for reasons such as unreported shift changes, an employee appointed with an incorrect salary, range, or merit salary adjustment (MSA) date. If an A/R is necessary, the PS will notify the employee, agree to a plan and collections will be made accordingly.

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Accounts Receivable, Continued

Use of leave credits to satisfy overpayments for BU 1, 4, 5, 6, 11, 15, and 19

Pursuant to collective bargaining unit agreements, employees in BU 1, 4, 5, 6, 11, *14, 15, 19, and *20 are eligible to satisfy overpayments and payroll errors with leave credits.

Note: *14 and *20 are eligible per DPA, which supercedes instructions contained in PML 2004-038.

The following information is provided to clarify the provisions of the program:

- An A/R established on or after the effective date of the BU agreement can be offset by using leave credits. Leave credits may also be used to satisfy an overpayment for any pay period as long as the A/R is established within the contract period.
- Affected employees may use leave credits they have available on the date the A/R is established.
- Leave credits used to satisfy an overpayment are calculated on the employee's salary rate as of the date the A/R is established.
- The employee's total salary rate is used when requesting a leave credit cash-out payment to satisfy the overpayment. This includes plus salaries such as locked-in pay differentials (e.g., bilingual pay, physical fitness pay, and shift pay). However, Personal Leave pay differential is excluded and **shall not** be included in the employee's salary calculation.
- If an employee uses leave credits to offset an overpayment and later the DGS subsequently reverses the A/R because of a settlement agreement (or a correction is made to the employment history), the employee will be given an option:
 - As to whether s/he will keep the leave credit cash-out payment; or
 - Return the payment and have the leave credits restored to the employee's leave record.

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Use of leave credits to satisfy overpayments for BU 1, 4, 5, 6, 11, 15, and 19 (continued)

Listed below are leave credit types authorized for use to offset an A/R:

- Annual leave
- Compensating time-off credit
- Excess hours
- Holiday credit
- Medical Officer of the Day
- On-call assignment
- Personal holiday
- *Personal day
- *Personal leave program
- *Personal leave program 2003
- *Personal leave time
- Professional leave
- *Voluntary personal leave
- Voluntary time (V-time)
- Vacation credit

Note: The asterisked (*) leave credit types are available per DPA, which supercedes instructions contained in PML 2004-038.

Process

When it has been determined that an employee has been overpaid, the PS will notify the employee of the overpayment and give the employee an opportunity to review and respond to repayment methods prior to establishing the A/R.

Upon mutual agreement, reimbursement will be made to the State through one of the following methods:

- cash payment(s) via establishment of an agency collection A/R
- installment(s) via establishment of a payroll deduction A/R
- use appropriate leave credits to satisfy overpayment and payroll errors (applicable to employees in Bargaining Units 1, 4, 5, 6, 11, 15, and 19)

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Role and responsibility

The following table depicts the role and responsibility of impacted individuals.

Role	Responsibility
Personnel Specialist (PS)	<ul style="list-style-type: none">• may make personal contact with employee prior to written notification explaining A/R, in some cases• may notify employee in writing of overpayment or impending A/R, which will include:<ul style="list-style-type: none">➤ amount of overpayment➤ pay period(s) involved➤ reason for overpayment➤ employee response time (15 calendar days)➤ proposed repayment options• establish A/R• send written follow-up to employee with exact dollar amount due and how total was determined• if no response from employee, establish A/R via payroll deduction(s)
Employee	<ul style="list-style-type: none">• respond orally to the PS within 15 calendar days or return the signed overpayment notification within 15 calendar days to the PS• if enrolled in Direct Deposit, failure to respond may result in the cancellation of Direct Deposit

Statute of limitations

The DGS cannot take action to recover an overpayment unless the action is initiated within three years from the date of overpayment.